

Message Text

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ACTION AF-10

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FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC 3988

C O N F I D E N T I A L NAIROBI 0278

E.O. 11652: GDS

TAGS: BDIS, CPRS, PFOR, KE, US

SUBJECT: SITREP ON ESSO DEBT COLLECTION PROBLEM

REF: 77 NAIROBI 15451

1. FOLLOWING AMBASSADOR'S DISCUSSION WITH KARIITHI (PERMSEC, OFFICE OF PRESIDENT) OF POSSIBLE REPERCUSSIONS ON BILATERAL RELATIONS WHICH COULD FLOW FROM PRECIPITATE GOK RESPONSE TO THREATEN ESSO CUTOFF OF PRODUCT TO KENYATTA FARM (REFTEL), KARIITHI DISCUSSED MATTER WITH PRESIDENT. KARIITHI HAS TOLD TWO SEPARATE SOURCES THAT INTERVIEW WAS STORMY WITH PRESIDENT EXPRESSING VAST ANNOYANCE AT CIVIL SERVICE INTERFERENCE IN HIS PRIVATE AFFAIRS. KARIITHI REPORTED TO ESSO LAWYER ARONSON THAT UPSHOT OF INTERVIEW SEEMED TO BE THAT PRESIDENT UNDERSTOOD ESSO'S POSITION EVEN THOUGH HE DID NOT COMMIT HIMSELF ONE WAY OR OTHER ON ACTUALLY PAYING PAST DUE BILLS. ARONSON WAS GIVEN TO UNDERSTAND THAT RIFT VALLEY PROVINCIAL COMMISSIONER MATHENGE (WHO ALSO FUNCTIONS AS FARM BUSINESS MANAGER) WOULD SEEK ALTERNATE SOURCES OF POL PRODUCT AFTER 1 JANUARY.

2. ALL HANDS THUS RELAXED, THINKING ISSUE DEFUSED POLITICALLY AND LEGALLY IF NOT SOLVED COMPLETELY TO ESSO'S COMMERCIAL SATISFACTION. ON DEC. 16, SOME TWO WEEKS AFTER AMBASSADOR'S PRESENTATION, AND WITH STILL NO SIGNS PAYMENT WOULD BE FORTHCOMING, ESSO KENYA MANAGER LINDGREN SENT MATHENGE LETTER INFORMING HIM THAT, CONFIDENTIAL

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UPON INSTRUCTIONS FROM HIS SUPERIORS, NO FURTHER SUPPLIES OF PETROLEUM PRODUCTS WOULD BE MADE TO PRESIDENT'S FARM AFTER DEC. 31 UNLESS ACCOUNT HAD BEEN SATISFACTORILY RESOLVED. MATHENGE'S "RESPONSE" WAS TO SEND ESSO NEW FUEL ORDER FOR PRESIDENTIAL FARM ON DEC. 23 SPECIFYING FUTURE MONTHLY DELIVERIES "WITH IMMEDIATE EFFECT AND UNTIL YOU HEAR FROM ME TO THE CONTRARY." ESSO KENYA REPLIED BY LETTER DEC. 29 ASKING MATHENGE TO INDICATE

PROPOSED BASIS OF PAYMENT.

3. NO ANSWER RECEIVED TO DATE TO DEC. 29 LETTER ALTHOUGH MATHENGE WAS AT COAST ON HOLIDAY UNTIL JANUARY 3. ESSO NEW YORK AND LONDON WORRIED THAT THERE MAY BE COME SORT OF MISUNDERSTANDING OR DIRTY WORK AT CROSS ROADS, WISH TO SEND LONDON BASED AFRICAN VP BARNES HERE TO SEEK INTERVIEW WITH KENYATTA AND HAVE ASKED EMBASSY ASSISTANCE TO GAIN ACCESS. ARONSON ADVISES STRONGLY AGAINST SUCH APPROACH FEELING A) BARNES UNLIKELY TO BE GRANTED MEETING AND B) SUCH MEETING ONLY LIKELY EXACERBATE SITUATION AS PRESIDENT OBVIOUSLY TOUCHY AND IRASCIBLE ON THIS SUBJECT. REQUEST MIGHT ALSO BE TAKEN BY GOK AS SIGN ESSO PREPARED COM-PROMISE. EMBASSY AGREES WITH THIS ASSESSMENT AND HAS INFORMALLY MADE VIEWS KNOWN TO LOCAL ESSO MANAGER WHO IN TURN TRYING TO DISSUADE BARNES FROM VISIT.

4. AT SAME TIME EMBOFF HAS HEARD VIA HIGH PLACED GOK OFFICIAL THAT KARIITHI AND MATHENGE ARE WORRIED ABOUT PROBLEM AND TRYING TO MAKE ARRANGEMENTS FOR POL DELIVERY TO FARM THROUGH KENYA FARMERS ASSOCIATION WHICH OLD LINE PRODUCER COOP HERE.

ARRANGEMENT WOULD PRESUMABLY BE THROUGH SOME SORY OF NEGOTIABLE PURCHASE ORDER TO ESSO. THIME TO FIND SOLUTION IS SHORT. ESSO ESTIMATES THAT AT CURRENT RATE OF CONSUMPTION FARM SHOULD EXHAUST POL DELIVERED IN DEC ABOUT JANUARY 20.

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5. EMBASSY CONTINUING TO REMAIN IN CLOSE TOUCH AND CONSULTATION WITH ESSO. WILL ADVISE ON FURTHER DEVELOPMENTS.

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